

Letter to the Governor

March 1, 2005

The Honorable Thomas J. Vilsack
Governor, State of Iowa
State Capitol
Des Moines, Iowa 50319

Dear Governor Vilsack:

On behalf of the Iowa Telecommunications and Technology Commission, I am submitting to you the 2004 Annual Report of the Iowa Communications Network.

The ICN takes great pride in being an integral resource in the transformation of Iowa's schools. Around every corner, in brick and mortar buildings, the ICN brings students of all ages and backgrounds together virtually through video and Internet distance education. The ICN is working closely with Iowa's Pre-K through post-secondary educators to determine how our telecommunications resource can expand learning opportunities. Together we are exploring the tremendous learning opportunities available to students and we are encouraging that "first step" in expanding new teaching horizons and thus the learning horizons of their students.

Fiscal year 2004 was a year of milestones for our network. It was a year of celebrating the 10th anniversary of connecting Iowans. It was also the year that the final Part III school connection was installed.

Please review our report of the year 2004. In 2005 the Commission and ICN staff will carry on with the mission of making Iowa the premier place to learn and grow, as we continue to connect Iowans to the world.

Sincerely,

Betsy Brandsgard
Chair
Iowa Telecommunications and Technology Commission

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ICN Mission and Vision Statements

Our mission is to provide authorized users the highest quality and technically advanced educational, medical, judicial, and governmental telecommunications services.



Our vision is to improve the quality of life for Iowans through advanced telecommunications services to authorized users in education, government, justice, and medicine by providing, at a reasonable cost, equal access to a state-of-the-art technology.

The ICN is a statewide, fiber optic network connecting all 99 counties in Iowa to the world. The ICN links schools, hospitals, state and federal government agencies, public defense armories, libraries, and higher education institutions using full-motion video, high-speed Internet connections, data, and voice services.

The Iowa Communications Network

What began as grassroots discussion spiraled into a tool for which Iowa can be proud:

One of the largest, if not the largest, full-motion video networks in the world.
The most remote areas of the state are venues for education, telemedicine, and electronic government.

Iowa led the nation in education networks with the ICN.

Providing equal access to education is the ICN's primary purpose.

The ICN's most prominent users, as authorized under Iowa Code Chapter 8D, are K-12 schools, higher education and the Area Education Agencies. The ICN also plays an integral part in state and federal government agencies, the National Guard, hospitals and libraries.

Most importantly the ICN benefits all Iowans.

Creating New Horizons

In fiscal year 2004 the Iowa Communications Network continued to create and expand horizons for Iowa students of all ages and in all locations. From finishing the final steps in southeast Iowa to opening windows to the future in northwest Iowa, the network continued to boost its presence around the state.

Danville High School Creates History

A southeast Iowa school became an integral part of Iowa Communications Network history. Danville High School became the final site, under the original ICN legislation, to have its Fiber Optics Terminal System (FOTS) installed in FY04. An ICN video classroom was also installed with the school's first ICN distance education class held in August 2004.

Danville was the last of 430 sites under Part III legislation to have the fiber optics equipment installed. Part III consisted of adding full-motion video sites to public and private school districts, area education agencies, and public libraries throughout Iowa. While the state pays for the fiber optics and FOTS room, the school pays for equipment needed in order to have a video classroom.



The first two parts of the ICN plan brought the fiber optic cables to every community college, Regent University, every county, and the state capitol complex. Those 104 sites became operational in 1993.

The students taking the Danville class say learning on the ICN is different and takes more independent learning skills and concentration. But they all agree that they like the concept and appreciate the opportunity that having the ICN has brought to them.

Danville senior Brian Womack says, "It opens your horizons because you're able to take classes that you normally wouldn't be able to take in a small school like this."

ICN Boosts Higher Ed Opportunities



An ICN site was constructed as part of the John and Mary Pappajohn Higher Education Center in Des Moines. The 40-seat, state-of-the-art, room features three, 42-inch plasma monitors and a wall-sized dry erase board which doubles as a projection screen. The open feeling of the new center is carried into all of the classrooms, with raised ceilings and a wall of windows in each.

The Center is home for the Des Moines Higher Education Collaborative, an educational partnership between the three Regents universities, Drake University, Grand View College, Simpson College, and Des Moines Area Community College.

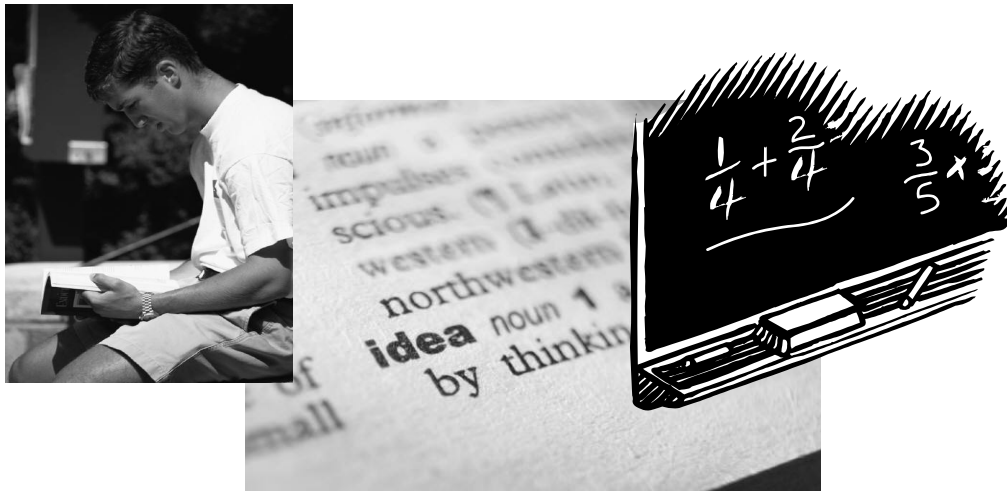
Groundbreaking Charter School Integrates Network in Success

The Iowa Central Charter High School, the result of a partnership between Southeast Webster High School and Iowa Central Community College (ICCC), operates as a “school within a school” at Southeast Webster in Burnside.

As one of only two charter schools in Iowa, Southeast Webster Superintendent Dr. Mike Jorgensen says there is a lot of excitement in his school district about the new program. The charter school gives students the chance to take dual-credit classes (high school and college credit for one class) in five distinct ways, including classes over the ICN. Students had two ICN classes to choose from this semester and will have two more next semester. The other methods for instruction are classes on campus, classes at ICCC, “V classes” (virtual, interactive classes over the Internet), or standard online classes.

There are 125 junior and senior students enrolled in the charter school. Only two juniors and two seniors are not enrolled. Jorgensen says at graduation in May 2005, 96% of his seniors will graduate with college credit.

“One of the biggest criticisms you hear about rural, smaller schools is limited course offerings and lack of opportunity for students,” Jorgensen says. He adds, “I would argue now that we have more courses than any other high school in the state because the students can take any class at Iowa Central Community College.”



Extending the Family

Growth for current customers in both point of presence and usage was prevalent in FY04. State and federal agencies and hospitals continued to take advantage of the opportunity created by the ICN for training and incorporated the ICN into new facilities.

August 1, 2003

The Hawkeye District of the United States Postal Service has utilized the services of the Iowa Communications Network on four different occasions. The Hawkeye District is made up of over 900 Postal Installations. To send trainers to go out and physically train in those locations would be quite time consuming as well as costly.

The first two projects that we conducted dealt with finance issues in which the information needed to get to all of our installations across the state of Iowa and some in Illinois within less than one month's time frame. *We were able to broadcast using the Iowa Communications Network and train over 900 installations in four days time on both subjects saving the Postal Service thousands of dollars in travel expenses.*

The other two projects although much smaller in nature affected parts of our territory that were scattered throughout Iowa and Illinois. Again travel would have played a major part in delivering this training had we not turned to the Iowa Communications Network. We spent only one day delivering the training for one project and two days on the other; again covering many offices at one time and saving the Postal Service hundreds of dollars in the process.

We are thankful for the opportunity to use the Iowa Communications Network to serve as a communications tool for us to deliver quality training to all of our Post Offices within the Hawkeye District and look forward to utilizing these services in the future.

Thank you,
Janice Mascari Koval
Manager Training
Hawkeye District
United States Postal Service

New Judicial Building Includes ICN

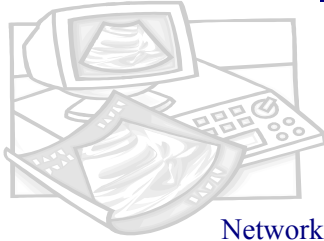
The ICN is helping to bring visitors and workers modern conveniences in classical surroundings for some of Iowa's judicial employees. The new Iowa Judicial Branch building, which houses the Iowa Supreme Court, the Iowa Court of Appeals, and the State Court Administration, was completed and opened for operation.

Designed to look old, the building is the newest addition to the Capitol complex, but echoes the architecture of the Capitol Building. The ICN provides the telephone, Internet, and ICN video conferencing services that are used everyday. The ICN provides these same services to the entire Capitol Complex, but the Judicial Building is the first new state building to have ICN services from the beginning.



Telemedicine

The Iowa Veterans Home, Marshalltown, Iowa, saved \$32,830 in FY04 by using the ICN. Patients were treated by telemedicine sessions over the network and staff attended 39 administrative sessions. The IVH also approved usage of its three ICN classrooms by other State agencies, colleges, libraries, etc. IVH Administrative Assistant and ICN scheduler Cherie Jones says, "We are pleased to be able to provide this public service to citizens of Marshalltown and the surrounding communities."



“We had one patient, a seventh grade boy, who was slammed to the mat during a wrestling meet. He landed on his shoulder. The local physician was concerned that the shoulder might be broken and the growth plate damaged.

Of course being in Iowa and the middle of winter, the weather was terrible. It was snowing which created poor visibility. An orthopedist was contacted and he examined the boy via telemedicine using the Iowa Communications

Network (ICN). He was able to look at x-rays and determine that the trip to the hub hospital was unnecessary.”

*Fred Eastman, Project Programming and Administrative Services Director
Midwest Rural Telemedicine Consortium, Des Moines, IA*

New Crime Lab to Feature ICN Services

The ICN was selected as the telecommunications provider for the State of Iowa Criminal Laboratories located in Ankeny. Providing video, voice, and data services for the state-of-the-art, four-building complex on the Des Moines Area Community College campus is one of the largest projects undertaken by the ICN in FY04.



The buildings will house state labs for the Division of Criminal Investigation, the State Medical Examiner’s Office, the University of Iowa Hygienic Lab, and the Department of Agriculture and Land Stewardship.

The facility, which is scheduled to open in Spring 2005, will have a common training area with a full-motion ICN videoconference room, along with three mobile carts systems. There will also be four MPEG2 mobile cart classrooms. ICN has installed fiber, a FOTS room, computer wiring and voice platform to provide phone services, and high-speed Internet data service.

The State Medical Examiner’s Office says they use the ICN at least quarterly.

“Deposition by ICN obviously eliminates wasted time for travel to and from locations (courthouses), where death occurred, for what is many times a brief period (15 minutes to an hour).

(The ICN has) greatly increased scheduling possibilities for forensic pathologists as travel time is not a concern or consideration.”

Update for ISU Extension

In FY2004, the ICN took on the task of updating the Iowa State University Extension Office data network. The 108-office network was updated from 56K to 1.5 Mb service. This means higher speeds for extension office Internet and data connections, and the ability for ISU to offer a larger suite of services to those communities



The Extension Service is one of the most prolific users of the network. Their Master Gardener classes offered each year over the ICN create knowledgeable gardening volunteers around the state. They also hold numerous other sessions on topics such as biosecurity and bioterrorism

Delivering Knowledge

“We live in a world that is always increasing and improving technology. I think we need to provide the students with all the opportunities we can while they're in high school. I think a big push now is to have students earn college credit in high school and the ICN is a way to provide that.
I don't want my students to be sitting in a college class with other students finding out what they did in high school and saying,
"Why couldn't we have done that?"
Iowa high school guidance counselor

Iowa led the nation in education networks with the ICN. Providing equal access to education is the ICN's primary purpose. The most prominent users, as authorized under Iowa Code Chapter 8D, are K-12 schools, higher education and the Area Education Agencies. Select any given day in the fall and you may find the following among the hundreds of sessions being conducted:

- Students from Corwith-Wesley-Luverne, Sheffield-Chapin, Greene, St. Ansgar, Rockford, Ventura, and Buffalo Center High Schools taking an Analytical Geometry and Calculus I class from North Iowa Area Community College in Mason City.
- Merville-Woodbury, Lawton-Bronson, and Maple Valley-Mapleton High School students sharing an Introduction to Health Occupations class offered by Western Iowa Technical Community College.
- High school and college students at five different Northwest Iowa ICN sites combining to create a Statistics class through Iowa Central Community College.
- Students from Johnston High School, located in a major metropolitan area, learning advanced French with students from Mormon Trail High School in rural southern Iowa.



“It has been valuable to have college classes as well as programs that our students would NOT be exposed to without the ICN.

It's another avenue to enhance student education and student achievement.”

*Gregg Mohl Guidance Counselor,
Northeast High School, Goose Lake*

- Advanced Placement (AP) classes in U.S. History, Music Theory and Art History offered to students around the state.
- Evening college classes for working adults offered by several community colleges and the state universities.
- Students from Tripoli, West Central Maynard, Sumner, Clarksville, and Valley of Elgin taking health-related classes through a high school consortium and Northeast Iowa Community College.

"It is quite valuable in offering diversity to our students...the ICN allows students to expand horizons without leaving the school building."

Stacy Snyder, Guidance Counselor, Tripoli High School

Manning High School Receives Kudos

In September 2003 the Manning school district was one of four districts in the country recognized for effective use of technology in education because of its use of the ICN. District administrators and teachers were linked over the ICN with US Department of Education officials in Washington D.C., and schools in Montana, West Virginia, and New Mexico. Manning has used the ICN for teaching classes since 1997, and is currently the origination site for Calculus I through the Iowa Learning Online program. They have used the ICN for professional development for several teachers who will eventually complete their master's degrees from the University of Missouri without having ever left Manning. Manning High School is also one of the first users of the ICN mobile cart classroom system, which you may read more about in the Advancing Our Capabilities section of this report.

ICN Classrooms

K-12 Schools	411
National Guard	54
Community Colleges	109
State Agencies	49
Regent Universities	39
Federal Agencies	16
Independent	16
Colleges/Universities	
Hospitals	12
AEA's	17
Public Libraries	51
Total:	774



"Thanks for another valuable educational experience through the ICN!"

Comment about IPTV's Tree Identification session for young students on the ICN

Bringing the Arts to Life!

The ICN and The University of Iowa Hancher Auditorium in Iowa City provide a unique way for students in Iowa to learn about the arts. Many Iowa students have never been to a professional stage or music production because they don't have easy access to attend. The ICN is a major tool in Hancher's interactive workshops connecting those Iowa students to artists who are performing at Hancher while on tour through hour-long network sessions. Past participants in

the Hancher ICN educational program have included jazz artists Wynton Marsalis, Marcus Roberts, and the cast and crew from *Beauty and the Beast* and the Joffrey Ballet. The program has brought the arts to K-12 students at over 500 sites around Iowa since its conception.



(Photo courtesy of Hancher Auditorium)

A Lifeline for Iowa Schools

When budgets are strained the ICN can be a lifeline for small school districts.

“It helps keep us alive,” says Lineville principal Amy Jackson. Lineville is the state’s smallest school, located on the border of Iowa and Missouri in south central Iowa.

“It’s affordability,” says Jackson. She says if it weren’t for the ICN, the school would not be able to offer the credits their students need. Lineville uses the ICN an average of six hours a day. There are from one to four students in each class. All of the classes are also college credit classes.



The school also uses the ICN for training such as for First Responders with some students actually going on to practice as first responders in health emergencies.

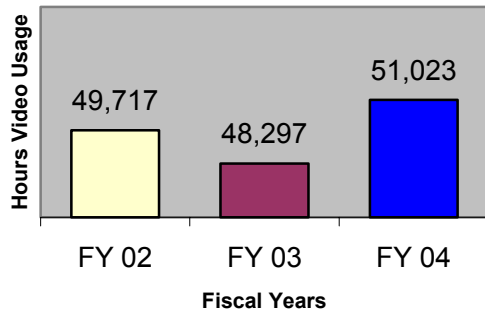
Lineville is not unique in its use of the ICN. It’s joined by other schools in bringing a wealth of education to Iowa’s students via class-sharing, dual credit, and virtual field trips.

July 2003 – June 2004

Over 41,000 ICN sessions with an average of 4 sites per session.

K-12 Video Usage

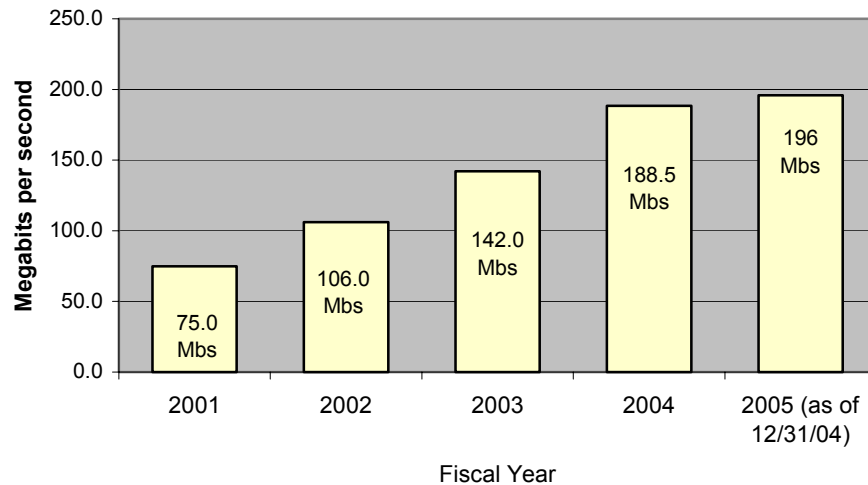
FY04 saw an increase in the number of hours Iowa's K-12 schools used the ICN. Usage increased 6% over FY 03.



Internet Access by Education

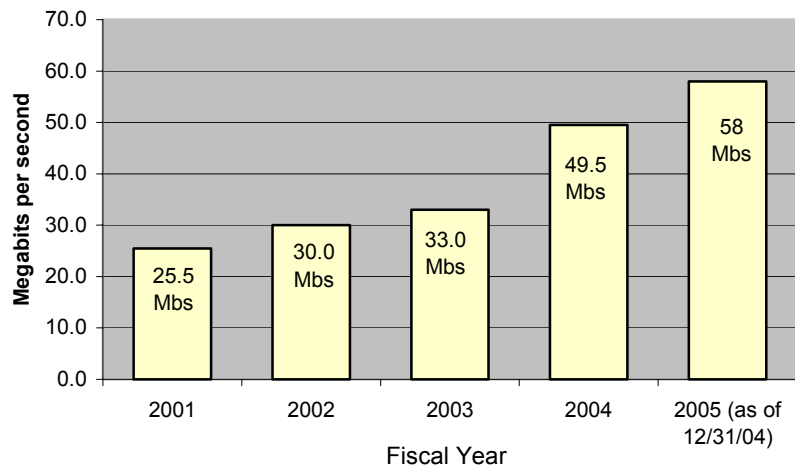
FY04 also witnessed an increase in the use of ICN's Internet services by K-12 and community colleges. The ICN provides Internet service to over 60% of Iowa's K-12 school districts.

ICN AEA and K-12 Internet Usage Rate
Direct Connect

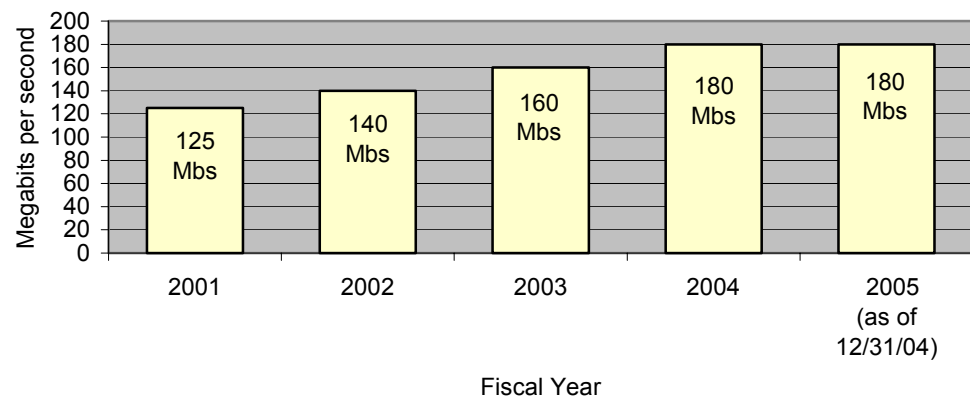


Annual Report 2004

ICN Community College Internet Usage Rate



ICN Regents Universities Internet Usage Rate



Benefiting Iowa's Work Force

Of course students aren't only found in schools. The possibilities for learning are endless for Iowans working around the state!

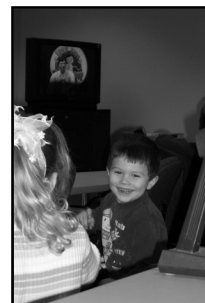
The State Library of Iowa uses the ICN for workshops, training and meetings.

From the State Library of Iowa FY04 Annual Report:

"There were 2,110 participants in 65 sessions at 1,125 sites. State Library staff and those who participate in state-sponsored events continue to save tremendously in time and travel costs.

Iowans value the opportunity to attend classes and meetings at local ICN sites. If not for the ICN, many librarians would be unable to pursue continuing education, develop professionally, or become involved in setting the course for the future of libraries."

- The Iowa Law Enforcement Academy held a training session with an estimated 2,000 participants located at 94 locations throughout Iowa. The "mass" lesson was a necessary part of educating law enforcement on the new allowable blood alcohol level laws which went into effect during the summer of 2003.
- The Palmer Institute for Professional Advancement uses a series of eight ICN seminars a year as a venue to supply continuing education to chiropractors across Iowa. Depending on the topic there is anywhere from 75-500 learners in attendance at one time.
- Iowa Health Services provided staff development and leadership training for over 100 nursing home professionals.
- The College Student Aid Commission trained high school guidance counselors around the state in preparation for the 2004-2005 financial aid year. Counselors gathered at over 25 locations.
- The U.S. Small Business Administration held a first-in-the-nation hearing with the assistance of the ICN. The Regulatory Enforcement Fairness hearing had an estimated 60 participants and allowed small business owners located at 13 locations across Iowa to voice their complaints and their concerns about federal regulatory compliance practices.
- Iowa Governor Tom Vilsack participated in a congressional hearing along with several other governors in September of FY04 without leaving the state. The round robin discussion originated from Washington D.C, with Governor Vilsack participating from a Kirkwood Community College ICN classroom.



Encouraging Community Spirit

Celebrating Our Connections

The ICN celebrated ten years of service to Iowans on February 3, 2004, with a recognition program at the State Capitol. The ceremony featured Congressman Leonard Boswell, remarks from Senator Tom Harkin, praise from Janice Koval of the United State Postal Service, and thanks from Major General Ron Dardis of the Iowa National Guard. Appropriately congratulations were broadcast over the ICN from Cheryl Petty Garnette of the Department of Education in Washington, D.C. Garnette commended everyone involved with the ICN on making it “not just an infrastructure but a vibrant resource that encourages creative teaching and challenges young minds.”



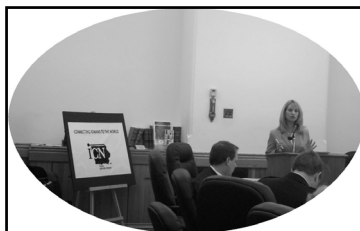
Former Iowa Governor Terry Branstad and Dr. Pam Pfitzenmaier from Iowa Public Television were among the honored guests. The day featured ten special Iowans who have used the ICN connections to make a difference in their lives.

Brady Shutt - Iowa City
Cherie Jones - Marshalltown
Darin Raymond - LeMars
Fred Eastman - Des Moines
Janet Drake - Des Moines
Jim Christensen - Sioux City
Kim Reed - Cedar Rapids
Patricia Coffie - Waverly
Colonel Robert King - Johnston
Sherry Washburn - Ames

These Iowans and their unique stories are featured in the *ICN 10* and *ICN FAQ* brochures. Governor Tom Vilsack presented them with certificates of appreciation.

A reception was held at the State Capitol during and following the event, allowing numerous legislators and ICN employees to view the ceremonies over the ICN on large monitors.

Thank you to the employees of the ICN, who for the past ten years, dreamed, designed, programmed, engineered, scheduled, planned, audited, edited, called, contracted, bought, sold, billed, researched, developed, wrote, answered, laid fiber cable and believed in what they were doing...bringing Iowans to the world.



Recognizing the Players

“At a time when we are asking these employees to do more with less, it is more important than ever to recognize those who continue to show an amazing commitment to public service,” said Governor Vilsack at the third annual Governor’s Golden Dome awards ceremony. The ceremony was held under the golden dome at the Iowa Capitol building in the rotunda.

The 2003 ICN employee Golden Dome recipients were:

Pat McGinty, SDE from Service Delivery - Employee of the Year
Pat will celebrate seven years with the ICN in April 2005. He previously worked for Hallmark Cards. Pat is a System Development Engineer (SDE) in Service Delivery and his office is in Rockwell City. He is responsible for ICN’s authorized users in Area Education Agencies 4, 8 and 12 in northwest Iowa and the schools in AEA 11. Pat regularly travels to visit ICN customers throughout his assigned territory.



Pat believes it’s important to work with customers to ensure they are aware of the ICN and it’s services. Equally important is the charge SDEs have been given to serve as an advocate for the ICN customers in their assigned areas. It is a great opportunity to learn more about technology and the benefit of working directly with the customers.



Mike Bacino, Deputy Director, Service Delivery - Leader of the Year
Mike has worked for the ICN and the State of Iowa since October of 1998. Prior to coming to the ICN, Mike served our country for 27 years in the United States Army and Iowa National Guard.

As Deputy Director, Mike finds himself working with people in all divisions of the ICN. Within his own division he works with sales of new services and retention of current customers and services in an effort to help generate the revenue needed to run the agency each year. He is also involved with projecting the image of the network to our customers, prospective customers, and citizens by working with the customer service center and the marketing team.

ITTC Commission Changes

Effective May 1, 2004, the Iowa Telecommunications and Technology Commission (ITTC) had a change in commissioners. Long time member, Mary Nelson stepped down and newly appointed member Pamela A. Duffy assumed her duties.

Mary Ann Nelson was appointed to the commission in 1995 by Governor Branstad to complete a term vacated by the death of original commissioner, Richard Wescott. She was then re-appointed to a six-year term in 1998.



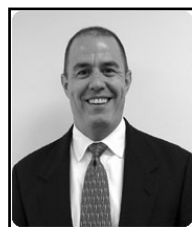
In reflection she commented, "During my eight year tenure as a member of the ITTC, the commission has strived to increase the usage of the network at all levels of education in the state. The network has become more reliable and cost-effective while meeting its ever-changing needs through the introduction of new products and technology improvements. I am grateful for the opportunity I have had in being part of this process."



Pamela A. Duffy works from her West Des Moines office as a physical therapist, and also works part time with Wellmark as a Physical Medicine Claims Analyst. Pam is working on her PhD at Iowa State University with a major in Education, Specialization in Curriculum and Instruction.

"I am extremely honored and pleased to be appointed to the ITTC. My focused interests are in higher education and health care, but I look forward to working with the other commissioners and staff to maximize the effectiveness and value of the ICN to business and industry, agriculture, rural communities and state government. This is an exciting time to be studying strategic opportunities for the future and I am glad to be able to contribute to these efforts."

Mark Schouten left the commission at the end of April 2004. In 1996, when the General Assembly expanded the ITTC from three members to five, Mark Schouten was appointed to serve by Governor Terry Branstad. A native of Sioux Center, Schouten earned an undergraduate degree in economics from Iowa State University, and a law degree from The University of Iowa. Schouten currently works for the Iowa Department of Transportation and has been instrumental in promoting the use of the ICN for telejustice.



Curtis W. Stamp is the most recent appointee to the Commission, filling the vacancy, in August 2004, left by Mark Schouten. He is currently an attorney with Dickinson, Mackaman, Tyler and Hagen in Des Moines, and brings nearly 15 years of public policy and telecommunications experience to the ITTC.

Stamp says he is excited and honored to have been appointed to the ITTC. "I am looking forward to putting my years of telecommunications and public policy experience to work as the Commission faces the challenges that lie ahead for the ICN."

The Iowa Telecommunications and Technology Commission (ITTC)

Mary Elizabeth “Betsy” Brandsgard

Appointed in May of 2000 Betsy Brandsgard is Chairperson of the ITTC. Brandsgard holds bachelor and master’s degrees in social work from The University of Iowa. She is the Executive Vice President/Senior Vice President Community Development of Davenport One, which is Davenport, Iowa’s chamber of commerce and economic development organization. Brandsgard has been the co-chair of the Governor’s Strategic Planning Council, served on the board of directors of the Riverboat Development Authority, and as a member of the board of director’s of the Humane Society of Rock Island County. Her term runs through April 2006.



Pamela A. Duffy

Governor Vilsack appointed Pamela Duffy to the ITTC effective May 1, 2004, with her term running through April 2010. Duffy is a physical therapist working out of her office in West Des Moines while employed part time for Wellmark as a Physical Medicine Claims Analyst and working on her PhD from Iowa State University. Her major in Education, Specialization in Curriculum and Instruction, emphasizes her interest in higher education and health care.

Professional memberships include American Physical Therapy Association, American Institute of Parliamentarians, National Institute of Parliamentarians, Health Volunteers Overseas, and the Iowa Physical Therapy Association. Duffy has served as consult and advisor for Encompass, Inc., Blue Cross Blue Shield of Iowa, University of Osteopathic Medicine and Health Sciences, Indian Hills Community College Physical Therapist Assistant Education Program, and the Ankeny Chamber of Commerce Ankeny Leadership Institute. She is currently a board member of Moingona Girl Scout Council.

Dr. Robert R. Hardman

Dr. Robert Hardman was appointed by Governor Vilsack to serve on the Iowa Telecommunications and Technology Commission May 1, 2002, for a term through April 2008. He served on the executive planning committee for the development of the Iowa Communications Network. As Director of the Iowa Educational Technology Training Institute at the University of Northern Iowa, Dr. Hardman trained hundreds of teachers to maximize the resources of various distance learning media.



He retired in August 1999 as professor of Education and Director of Information Technology Services at UNI, and also as Director of the Iowa Education Technology Training Institute. His credits include serving for five years as “in-service director” for the Iowa Star Schools Project

and directing a grant from US WEST Communications to Iowa for the training of 4,400 teachers in the use of the Internet and other online resources from 1995 to 1999.



Timothy L. Lapointe

In May of 1999, Governor Vilsack appointed Timothy Lapointe to the Iowa Telecommunications and Technology Commission for a six-year term ending May 2005. This appointment aligned with Lapointe's long-time interest in technology as a means of helping Iowa become a leader in education, business and effective government. A 1987 graduate of University of Northern Iowa with a degree in history, Lapointe completed law school at The University of Iowa and in 1992 he returned to Mason City to practice law with his brother. They formed Lapointe & Lapointe Attorneys at Law, engaging in general practice.

Lapointe has been actively involved in local and state politics in his hometown of Mason City, chairman of Cerro Gordo County Democrats, Rotarian, and is a past president and vice-president of North Iowa AIDS Coalition.



David A. Vaudt, CPA

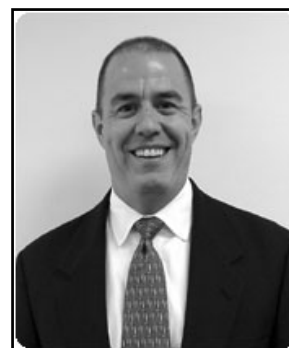
David Vaudt was elected Iowa's Auditor of State and began his four-year term in January 2003. As Iowa's State Auditor, Vaudt is mandated by Chapter 8D, Code of Iowa, to serve or assign a designee to the Iowa Telecommunications and Technology Commission (ITTC) as an ex-officio commission member. Following his graduation from Upper Iowa University in 1976, Vaudt joined the CPA firm of KPMG (formerly Peat, Marwick, Mitchell & Co.) in Des Moines. In 1988 he was elected to the partnership. He retired from the firm in 2001 to pursue public office.

Vaudt served as chairman of the Iowa Accountancy Examining Board from 1995-2002. He served seven years on the board of directors of the National Association of State Boards of Accountancy. He is a member of the American Institute of Certified Public Accountants and the Iowa Society of Certified Public Accountants. He serves as Board Member of the Better Business Bureau Foundation, Board Member of the Iowa Homeless Youth Center, and Commissioner and Treasurer of the Iowa Client Security and Attorney Disciplinary Commission.

Curtis Stamp

Curtis W. Stamp is the most recent appointee to the Commission. Stamp's commission duties began August 12, 2004 and his term will run through April 2007.

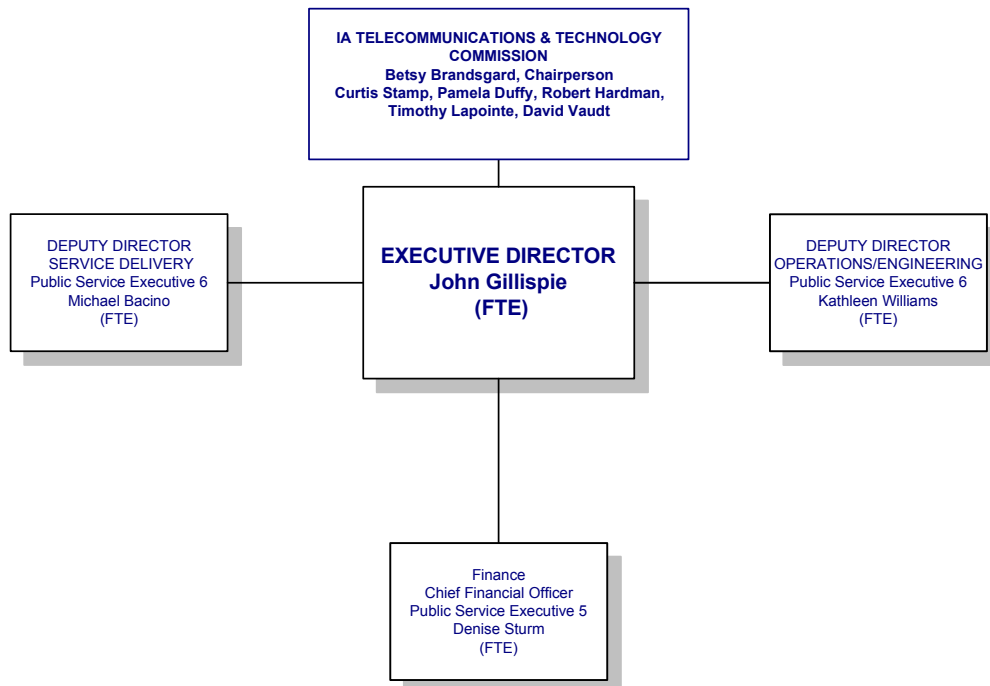
Stamp brings nearly 15 years of public policy and telecommunications experience to the ITTC. Currently an attorney with Dickinson, Mackaman, Tyler and Hagen in Des Moines, and a native of Clinton,



Iowa, his educational background includes a bachelor's degree in political science and a master's in business administration from Iowa State University. He received his law degree from Drake University Law School in May 2003. Stamp served as a legal intern in the Federal Communications Commission for Commissioner Kathleen Abernathy. Prior to law school, he was manager of policy and law for Qwest. He also served as legislative liaison and media spokesperson for the Iowa Utilities Board and as a legislative analyst for the Iowa Senate Republican Staff.

ICN Organizational Chart

IOWA COMMUNICATIONS NETWORK



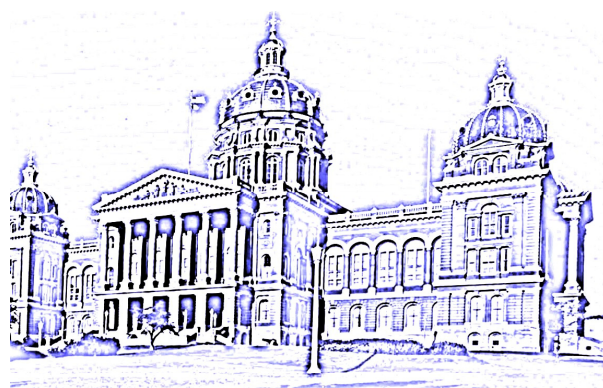
2004 Legislative Action Summary

Legislation was passed during the 2003 legislative session creating a process to sell the Iowa Communications Network. The Governor vetoed the language.

Meeting policymakers' objectives

In meeting with various decision makers during the summer, key elements were identified for inclusion in any successful plan for the future ownership and management of the ICN.

- Preserve or enhance educational content carried over the ICN.
- Preserve homeland defense/security services especially as related to public defense.
- Determine ways to more fully utilize the ICN.
- Eliminate outstanding debt and future funding to the ICN for 20 years.
- Accelerate deployment of Advanced Telecommunications Services in rural Iowa.
- Ensure the ICN remains a credible business partner to all current customers.



Molding these elements with operations and administrative requirements of the network, ICN staff fashioned a concept using proven telecommunications industry elements.

Ad Hoc Discussion Group

In July an Ad Hoc discussion group comprised of ICN authorized users, telecommunications providers, legislators, and other interested parties, was assembled by Governor Vilsack. Its charge was to review the sale of the assets plan, make changes to align it with the participants' various missions, and to ensure any plan emerging from the group would:

- Preserve or enhance educational content carried over the ICN.
- Preserve homeland defense/security especially as related to public defense.
- Determine ways to more fully utilize the capacity and services of the ICN.

After examining participants' goals it was determined that group consensus could not be reached.

Sale of the Assets Concept

The Sale of the Assets Concept called for selling the network backbone including the fiber and optronics located outside of the Des Moines Metro Area. (Optronics are the core pieces of equipment on the backbone that light the fiber). The concept further called for:

- The state to retain the equipment outside the core backbone electronics that break the signal down into the appropriate capacity for each customer.
- The buyer would have been obligated to provide capacity to the ICN.
- The ICN equipment would have remained in public buildings where it is currently located but the buyer would have been responsible for extending the network to a point of connection outside the public buildings.

- An equipment maintenance and depreciation fund would have been created to provide the state's share of the backbone maintenance and upgrade.

This plan was developed to meet the decision makers' requirements while fulfilling the needs of ICN customers. The plan also offered a way to address some of the financial challenges the ICN would meet in the near future.

Benefits of the Concept

First and foremost, education would remain the top priority of the network. The sale of the assets would have provided a seamless change for ICN users and the eligible customer base would not have changed. The buyer, a private provider, would have access to most rural Iowa communities and could provide advanced telecommunications services, including high speed Internet, without having to construct a fiber plant. ICN maintenance and upgrade costs would be shared with the buyer reducing costs to the State.

FY04 Legislative Session

The Governor moved the Sale of the Assets Plan forward to the legislature. The Governor's bill was assigned to committees in both legislative chambers. The bill was amended in the House of Representatives Commerce and Oversight committees, but did not have consensus for a floor vote. The Senate Oversight Committee discussed the concept, but did not take any action on the proposal during the 2004 Legislative Session.

During the 2004 Legislative Session there were additional issues addressed that affected the ICN directly and indirectly. Those issues were:

Senate File 2298 - Omnibus Budget Bill

Direct Billing of Classroom Use Fee – Allowed direct billing to sites that wanted to be added to a session that the originator would authorize but not fund.

Debt Service Funding – For payment of construction and finance charges for the backbone of the network. Funded at the Governor's recommended level.

Part III Leases and maintenance appropriation

(Moved to the Department of Education) Funded these K-12 and Public Library circuit leases at the Governor's recommended level.

First Responder Training and Testing

Authorized community colleges that are receiving federal funding to conduct homeland security first responder training and testing, using the network for testing purposes.

No General Fund Appropriation for K-12 video subsidization requested

Met legislative intent for no General Fund subsidization by FY 2007.

Advancing Our Capabilities

Homeland Security Improvements

As a primary player in the state of Iowa's disaster response and safekeeping, it is important for technical aspects of the ICN to remain up-to-date and secure. In FY04 the network received \$300,000 in federal Department of Homeland Security funding to install new Internet routers in order to improve the capabilities of the ICN and provide secure and reliable telecommunications. The benefit to the ICN and its authorized users is more reliable service. Reliability has increased to 99.999%.

MPEG Conversion

The network's conversion to the most up-to-date industry standard was completed in FY04. What was actually a multi-year effort, the conversion of all ICN sites to MPEG2 technology allows for better use of available bandwidth. It also means more efficient use of resources, such as space and power, and eases the troubleshooting process.

Wireless

The ICN's first wireless link was placed in service in FY04. The Research and Development department, in FY03 – FY04, tested the technology for compatibility with the network. Atlantic High School and Viola Gibson elementary school in Cedar Rapids piloted the wireless service giving good feedback and praise to the system. Wireless technology was presented to interested customers and partners in December 2003.

Wireless technology is being used in the ICN room of the new John and Mary Pappajohn Higher Education Center in downtown Des Moines. Until the large amount of construction near the center is completed, burying cable is not feasible so the wireless system was a logical, temporary solution. Wireless, where deployment is possible, expands the potential for a low-cost alternative (to leasing circuits and fiber) for authorized users who want an ICN connection capable of all ICN services.

Mobile Video Classroom

There are two full-motion mobile video cart systems now in use in Iowa. The self-contained system allows the ICN video to be mobile and not located in one classroom. The MPEG2 system includes cameras, microphones, monitors and everything else a customer would find at a fixed site. Costs are also less than a fixed site. Currently Manning High School and Area Education Agency 15 in Ottumwa are using mobile cart systems, with three additional slated for the new state crime lab in Ankeny.

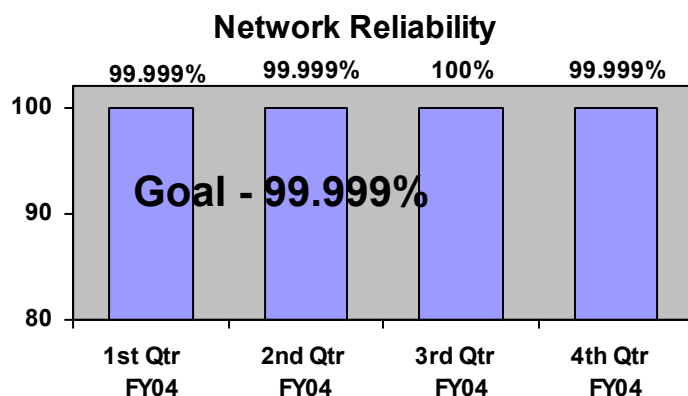
Customer Service

Several technical up-dates were made in the area of customer service in order to better serve the ICN's customers.

- Completed enhancements to the Request for Services (RFS) customer order processing system to support new technologies such as wireless transport. The RFS system was also enhanced to improve order tracking which increases ICN's ability to deliver services to our customers on time.
- Consolidated customer video bills and accounts receivable invoices into ICN's standard customer format. This allows ICN customers to electronically download their billing information from the ICN account utility website. Customers may now get their billing detail in electronic format for easier storage, rebilling and processing of payments. It also allows for billing to move to a paperless billing format.

Network Reliability

The ICN strives to deliver full-motion video at the lowest cost with the highest reliability possible. The goal is 99.9 percent reliability. In FY04 the network operated at “Five 9’s” or 99.999 percent reliability.



Voice over Internet Protocol

The ICN began the process of offering Voice over IP services in FY04, with deployment starting in FY05. VoIP allows customers to transmit voice signals over a single network. This allows for the “convergence” or meshing of separate networks for voice and data into one network using Internet protocols.

VoIP customers include Disability Determination Services and the Department of Human Services, Iowa Medicaid Enterprise.

Financials

These numbers are provided for financial review purposes and are not to be construed as audited. ICN has completed an audit of its financial statements for the fiscal year ended June 30, 2004. If you are interested in receiving a copy of the report containing audited financial statements and footnotes, please contact the Finance Division Chief Financial Officer at (515) 725-4703 or (800) 645-8860.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS:

	Year ended June 30,	
	2004	2003
Operating revenues:		
Sales, rents and services	\$ 33,328,703	31,982,299
Operating expenses:		
Direct expenses	13,690,778	14,935,868
Depreciation expense	10,111,340	11,289,596
Other operating expense	10,624,016	10,301,414
General and administrative expenses	7,844,926	7,831,555
Total operating expenses	42,271,060	44,358,433
Operating loss	(8,942,357)	(12,376,134)
Non-operating revenues (expenses):		
Non-capital appropriations from State of Iowa	4,791,848	5,613,360
Investment income	721,551	746,850
Contract settlement	-	-
Interest expense	(2,390,744)	(3,066,152)
Amortization expense	(218,521)	(218,521)
Net non-operating revenues	2,904,134	3,075,537
Loss before other revenues	(6,038,223)	(9,300,597)
Capital appropriations from State of Iowa	10,745,000	15,125,000
Capital Contributions	434,000	-
Increase in net assets	5,140,777	5,824,403
Net assets beginning of year	46,194,012	40,369,609
Net assets end of year	\$ 51,334,789	46,194,012

STATEMENT OF NET ASSETS:

	June 30,	
	2004	2003
Current and other assets	\$38,722,995	38,833,831
Capital assets	53,776,469	59,301,764
Total assets	92,499,464	98,135,595
Current liabilities	16,302,452	15,750,749
Noncurrent liabilities	24,862,222	36,190,833
Total liabilities	41,164,674	51,941,582
Net assets:		
Invested in capital assets, net of related debt	17,499,247	12,365,930
Unrestricted	33,835,542	33,828,081
Total net assets	\$51,334,789	46,194,011

Annual Report 2004

Statement of Cash Flows

Year ended June 30, 2004

Cash flows from operating activities:	
Cash received from customers	\$ 32,755,904
Cash payments for goods and services	(21,955,435)
Cash payments for salaries and benefits	(7,166,303)
Net cash used for operating activities	<u>3,634,166</u>
Cash flows from non-capital financing activities:	
State appropriations	<u>4,791,848</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(5,127,616)
Interest paid	(2,642,057)
Principal paid on capital debt	(10,745,000)
State appropriations	22,606,462
Capital Contributions	434,000
Net cash used for capital and related financing activities	<u>4,525,789</u>
Cash flows from investing activities:	
Interest received on investments	<u>721,503</u>
Net decrease in cash and cash equivalents	13,673,306
Cash and cash equivalents beginning of year	<u>19,073,240</u>
Cash and cash equivalents end of year	<u>\$ 32,746,546</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	<u>\$ (8,942,357)</u>
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	10,111,340
Loss on disposal of capital assets	541,571
(Increase) in accounts receivable	(357,974)
Decrease in due from other funds	(198,089)
Decrease in inventory	2,043,802
Decrease in prepaid expense	216,467
Increase in deferred revenue	(16,736)
(Decrease) in accounts payable	221,457
Increase in due to other state agencies	(18,389)
Increase in compensated absences	<u>33,074</u>
Total adjustments	<u>12,576,523</u>
Net cash used for operating activities	<u>\$ 3,634,166</u>

Contact Us

Do you have a telecommunications-related need?

Do you have a story to share about how the ICN has benefited you or someone you know?

If so, please give us a call.

Our commitment to you is backed with live assistance every day, 24 hours a day.

Customer Service and Support

Available Monday through Friday, 8 a.m. to 4:30 p.m.

For requests for new service or questions about current services call 515-725-4633 or toll-free 877-426-4692:

- Video
- Phone/Voice
- Data
- Internet
- Mobile CART classroom
- Voice over IP
- Video over IP

Network Service Center

Available 24 hours a day, every day

For trouble calls on voice, video, data and Internet services call 515-323-4400 or toll free 800-572-3940

This is a detailed map of the state of Iowa, showing its 99 counties. Each county is labeled with its name. Major cities are marked with blue dots and labeled. The map includes the state's borders with Minnesota, Wisconsin, Illinois, Missouri, Arkansas, and Louisiana, as well as the Mississippi River and other geographical features.



The ICN In Action!

